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CENTRAL INTELLIGENCE AGENCY

2 May 1961

MEMORANDUM FOR: Mr. Allan Evans, State (INR)
Colonel B. R. Brown, USA (ACSI)
Captain H. W. McElwain, USN (ONI)
Colonel F. J. Cole, USAF (AFCIN 2B3)
Colonel K. T. Gould, USA (J-2, The Joint Staff)
[redacted] Director of Operational Services, NSA
Mr. Randolph V. Zander, Defense (OSO)

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SUBJECT: NIE 38.1-61: THE OUTLOOK FOR NEPAL

1. The attached terms of reference were agreed on at the meeting of the USIB representatives on 2 May.
2. All agencies are invited to contribute to any section within their competence.
3. It is requested that contributions be received in this office by the close of business on 2 June.

Chester L. Cooper
CHESTER L. COOPER
Acting Assistant Director
National Estimates

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CENTRAL INTELLIGENCE AGENCY

2 May 1961

SUBJECT: TERMS OF REFERENCE: NIE 38.1-61: THE OUTLOOK IN NEPAL

THE PROBLEM

To estimate probable developments in Nepal and in Nepal's relations with India, the Communist countries, and the West during the next few years.

SCOPE NOTE

The recent action of King Mahendra is ousting Nepal's first popularly elected government, and the efforts of the Nepali Congress Party to overthrow the King have substantially altered the situation since publication of NIE 55-59, "The Outlook for Nepal, Bhutan, and Sikkim," dated 24 November 1959. We propose to keep the new estimate brief, focusing on the likely outcome of the struggle between the King and the Nepali Congress, the problems the victor will face in governing Nepal, and on likely

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trends in the competition between India, the West, Communist China, and the Soviet Union for influence in Nepal.

QUESTIONS BEARING ON THE PROBLEM

I. INTERNAL SITUATION AND PROSPECTS

A. King Mahendra's Position. Why did the King oust the Koirala government? What are the major elements of strength and weakness in the King's position? Discuss his personal capabilities and those of his supporters. What are his main policies and programs? Under what circumstances, if any, is Mahendra likely to seek a compromise with the Nepali Congress or other parties?

B. The Opposition. How successful have the Nepali Congress leaders in exile been in organizing an opposition movement? What are its major assets? Its major problems? What other forces are cooperating with the Nepali Congress? What role are the retired Gurkhas servicemen likely to play? What contacts and influence do the exiled leaders have with opposition groups in Nepal? What policies are the Nepalese Communists likely to follow? At what point, if any, are the Nepali Congress and the Nepalese Communists likely to cooperate against the King? Is the opposition likely to

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be successful in overthrowing Mahendra? If so, what are the chances of the resulting regime providing stable government in Nepal?

C. The Security Forces. What is the size, disposition, and effectiveness of Nepal's security forces? What is the attitude of the key military leaders toward the King? Toward the opposition? How unified are the security forces in their attitudes? How much must -- and can -- Mahendra rely on the loyalty of the Palace Guard?

D. The Economy. What is the present condition of the Nepalese economy? The outlook over the next year or so? What effect are economic conditions likely to have on the political situation? How dependent is Nepal on foreign aid? Chief sources and kinds of aid? What would be the result of an increase or decrease in foreign aid on the economic and political situation?

II. INTERNATIONAL POSITION AND OUTLOOK

A. What are the bases and objectives of Nepal's foreign policy under King Mahendra? How does it differ from foreign policy under Koirala? Is any change likely to take place in Nepal's

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policy of neutralism under Mahendra? Under what circumstances?
Would the Nepali Congress make any basic changes in foreign
policy if it returned to power?

B. What is the attitude of the King toward India? Of India
toward Mahendra? What policies are the two countries likely to
follow towards each other? How much aid is India likely to give
to Nepalese opposition elements? What role does the Indian
military play in training the Nepalese armed forces, and what is
Indian military policy toward Nepal? Is India likely to be able
to preserve its influence in Nepal, Bhutan, and Sikkim as an
essential part of its defense line with Communist China?

C. What are the principal factors affecting Nepal's rela-
tions with the West, particularly with the US? How are Nepalese
relations with the West likely to develop? Is Nepal likely to
stop British -- or Indian -- recruiting of Gurkha troops?

D. What is the King's attitude toward the USSR and Communist
China? How much aid is Nepal likely to accept from the Bloc? How
are Nepalese relations with Communist China and the USSR likely
to develop? What progress is likely toward a settlement of Sino-
Nepalese border problems? What problems do the presence and continued

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flow of Tibetan refugees create for Nepal, both domestically and in terms of its relations with other countries, particularly Communist China? Under what circumstances, if any, is Nepal likely to move closer to the Bloc?

III. POST MORTEM AND VALIDITY STUDY COMMENTS ARE DESIRED.

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